



STATE OF CALIFORNIA

ELECTRICITY OVERSIGHT BOARD

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PRESS RELEASE

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California Files Complaint with Federal Regulators

Acting on a request from Governor Gray Davis, the California Electricity Oversight Board today filed a complaint with the Federal Energy Regulatory Commission (FERC) urging the FERC to find that California's wholesale electricity markets are not workably competitive and requesting that the FERC take such actions as are necessary to ensure that wholesale prices for energy and ancillary services are just and reasonable.

The complaint names all Sellers and "Scheduling Coordinators" that sell into the California wholesale market and alleges that certain sellers have and are exercising market power, resulting in unjustly high electricity prices in these markets. The complaint urges the FERC to find that the California wholesale market is not workably competitive at present and to take immediate steps to return prices to just and reasonable levels. The complaint also urges the FERC to ensure that bid caps remain in effect while this action is pending. According to Michael Kahn, Chairman of the Electricity Oversight Board, "The complaint is a necessary step in the State's efforts to protect its consumers from the dramatic failures that have occurred in these markets."

The complaint also requests that the FERC affirmatively direct the California Independent System Operator (CAISO) to maintain bid caps at a level no greater than \$250 per MW for ancillary services, \$250 per MWh for energy and \$100 per MW for replacement reserve capacity, until demonstrable evidence exists that California's wholesale markets are workably competitive and that wholesale rates are just and reasonable.

The complaint argues that these caps should remain in place until the FERC has completed its investigation of California markets, has implemented any necessary reforms and has determined that the energy and ancillary services markets operated by the CAISO and California Power Exchange are workably competitive in all hours or has otherwise put in place revisions to the market and pricing structure to ensure that wholesale prices will be just and reasonable during all hours.

The complaint is based on the conclusion, following preliminary investigation, that respondent Sellers and Scheduling Coordinators, individually and collectively, have market power and exercise market power, commanding prices far above rates that would be determined by cost-of-service ratemaking or prices voluntarily agreed to by buyers and sellers in a workably competitive market.